

Message Text

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PAGE 01 STATE 237357

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DRAFTED BY: XMB:GWBOGDANOFF

APPROVED BY: EB/IFD/ODF:RASWART

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

UNCLAS STATE 237357

E.O. 11652: N/A

TAGS: EFIN, TW

SUBJECT: PAYMENT DEFAULTS

FOR THE HONORABLE K.T. LI FINANCE MINISTER REPUBLIC OF CHINA

1. EXIMBANK REQUESTS EMBASSY DELIVER FOLLOWING MESSAGE FROM
MR. WILLIAM CASEY, CHAIRMAN, EXIMBANK TO THE HONORABLE K. T.
LI, FINANCE MINISTER, REPUBLIC OF CHINA:

2. DEAR MR. MINISTER: AS WE DISCUSSED DURING YOUR RECENT
VISIT TO WASHINGTON, I AM BECOMING INCREASINGLY CONCERNED
WITH THE NUMBER OF DEFAULTS BY BUYERS IN TAIWAN ON CREDITS
SUPPORTED BY EXIMBANK UNDER FCIA AND BANK GUARANTEE PROGRAMS.
WE ARE CURRENTLY PROCESSING CLAIMS AND DEFAULTS ON NINE TRANS-
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PAGE 02 STATE 237357

ACTIONS INVOLVING EXIMBANK EXPOSURE TOTALING OVER DOLS

2 MILLION, A HIGH NUMBER OF SUCH CASES FOR A SINGLE COUNTRY.

3. DESPITE THE FACT THAT NEARLY ALL THE CURRENT DEFAULTS INVOLVE ONLY THE TEXTILE INDUSTRY, AND THE FACT THAT THE BUYERS ARE PRIVATE FIRMS FOR WHICH THE GOVERNMENT OF THE REPUBLIC OF CHINA BEARS NO DIRECT RESPONSIBILITY, I AM CONFIDENT THAT YOU SHARE MY CONCERN THAT THESE DEFAULTS CAN AFFECT THE CREDIT RATING OF OTHER BUYERS IN THE COUNTRY.

4. AS A MEASURE OF OUR CONCERN, A TEAM OF EXIMBANK OFFICERS HEADED BY VICE PRESIDENT GEORGE BOGDANOFF WILL BE IN TAIWAN BEGINNING OCTOBER 12 TO VISIT WITH EACH OF THE FIRMS WHO ARE CURRENTLY IN DEFAULT. THROUGH THIS VISIT IT IS HOPED THAT SETTLEMENT PLANS CAN BE EVOLVED WHICH WILL ENABLE THE BUYERS TO BRING PAYMENTS UP TO DATE AND TO REMAIN CURRENT IN THE FUTURE.

5. THE FIRMS NOW IN DEFAULT WHICH EXIMBANK'S GROUP WILL VISIT INCLUDE YUAN I INDUSTRIAL, LIEN YU INDUSTRIAL, TUNG HSIN SPINNING AND WEAVING COMPANY, PANTEX INC., TONG YUE TEXTILE COMPANY AND PRESTO TAIWAN LTD. THESE CASES HAVE BEEN DISCUSSED BY EXIMBANK WITH REPRESENTATIVES OF THE REPUBLIC OF CHINA IN WASHINGTON.

6. I WOULD APPRECIATE ANY ASSISTANCE WHICH YOU OR YOUR REPRESENTATIVES COULD GIVE TO EXIMBANK'S GROUP IN THIS MATTER. ARRANGEMENTS MAY BE MADE THROUGH THE UNITED STATES EMBASSY IN TAIPEI.

7. HIGHEST PERSONAL REGARDS, WILLIAM J. CASEY. KISSINGER

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